



*Andrew Junkin
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Managing Director*

September 19, 2007

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of Operations Policies

Dear Russell,

You requested Wilshire's opinion with respect to Staff's proposed changes to the Operations Policies as a part of the ongoing Policy Review project. Wilshire worked with Staff to develop and revise these policies and recommends that the Policy Subcommittee approve the revised policies.

The two policies presented in this agenda item are the Directed Brokerage policy and the Custody Management policy. Both policies have been reformatted to comply with the current template in use in the Policy Review project. However, the template was designed to be flexible and since the policies are operations-oriented, there are some slight differences between the format of these policies and the template. Wilshire feels that the policies are effective and are comprehensive.

Additionally, the Custody Management policy has some new language to further specify the Custodian's duties and provides the requirement that the Custodian share relevant information with CalPERS' consultants, when directed to do so by CalPERS.

Wilshire recommends that the Policy Subcommittee adopt these revised policies. Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read 'Andrew Junkin', is written over a light blue horizontal line.